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Second-Home Tax Hike Hits Gwynedd Property Values

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House prices in Gwynedd have taken a sharp hit as new taxes and planning rules targeting second homes appear to be cooling the local housing market. The average property price in the Welsh county dropped by 7.3% in the second quarter of 2025, according to the latest figures from the Principality Building Society.

The drop in value starkly contrasts with the performance of the broader Welsh housing market, which recorded a slight 0.7% increase year-on-year. Gwynedd, a favoured

destination for holiday homes and short-term lets, has become one of the regions most affected by government moves to limit second home ownership.

The Principality Building Society attributes the sharp decline in Gwynedd's property prices to the cumulative impact of tighter planning restrictions and a raft of taxation changes introduced by the Welsh Government. These include a 150% council tax premium on second homes imposed by the local authority and a 5% surcharge on top of the standard Land Transaction Tax, Wales' version of stamp duty, for buyers of additional properties.

Further tightening the rules, owners seeking to register a holiday let as a business for tax purposes must now meet stricter thresholds: properties must be available to let for at least 252 days per year and actually rented out for a minimum of 182 days. Gwynedd Council has also implemented an Article 4 Direction, which requires owners to apply for planning permission if they wish to convert their main residence into a second home or holiday let.

While these measures aim to ease pressure on housing availability for local residents, they are deterring new investment in the region's property market. This has contributed to falling prices, even as other parts of Wales experience modest growth or market stability.

Across Wales, the average house price in the second quarter stood at £238,098. This remains 4.6% below the market's peak of £249,000 recorded in 2022, yet the overall trajectory suggests a stabilising market. Notably, property transactions have shown resilience, with over 10,000 sales recorded in the second quarter of 2025, a 13% increase compared to the same period last year.

Some areas have shown stronger growth. Torfaen, for example, led with a 14% quarterly rise in prices, driven by a limited housing stock and a few high-value sales. Carmarthenshire reported a 6.3% increase, and Flintshire saw a 3.3% rise. These regional differences point to a patchwork recovery, heavily influenced by local policy and demand patterns.

Principality Building Society's analysis is based on official data from HM Land Registry and reflects ongoing shifts in Wales' property landscape. "The housing market in Wales continued to stabilise in the second quarter of 2025, with prices holding broadly flat compared to the start of the year. Encouragingly, the steady increase in transaction volumes signals increasing confidence among buyers. While market conditions remain challenging, a downward trend in mortgage rates is helping to create a more favourable environment for

buyers. This shift is contributing to a gradual uplift in consumer confidence as we move into the second half of 2025,” said Iain Mansfield, Chief Financial Officer at Principality.

Falling interest rates are also expected to aid affordability in the coming months. The Bank of England’s recent base rate cuts have already had an effect, with the average two-year fixed mortgage rate dropping from around 5.56% in 2024 to 4.68% in 2025.

However, rental prices continue to surge. The cost of renting a typical home in Wales has increased by 8.5% in the 12 months to May, underscoring ongoing challenges in housing supply. Affordable and social housing remain in short supply, prompting the Welsh Government to reaffirm its commitment to increasing stock and implementing recommendations from its Affordable Home Taskforce.